MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1 2022/2023 (TERM ID 2210)

BBF2044 – BANK MANAGEMENT

(All sections/Groups)

6 FEBRUARY 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **THREE (3)** pages with **FOUR (4)** questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) In light of the COVID-19 pandemic, why did Bank Negara Malaysia (BNM) reduce its Statutory Reserve Requirement ratio from 3 percent to 2 percent effective from March 2020? (9 marks)

(b) What is the impact of the Covid-19 pandemic on loan growth, liquidity, profitability, and capital in Malaysian banking? (16 marks)

(Total: 25 marks)

QUESTION 2

(a) Why do banks usually hold only a small proportion of their assets in cash? (6 marks)

(b) Explain why small banks rarely adopt a liability management strategy for managing their liquidity? (9 marks)

(c) The most recent financial reports of Maybank showed the bank prepared RM71 million for the provision for loan and lease losses for this year. The bank's non-deposit borrowings funds from the open market total is RM12 million. The employee salary and compensation amounted to RM5 million this year, while the income generate from the Maybank loan portfolio total is RM24 million, while the revenues generate from the wealth management services fees total is RM39.7 million. Suppose that the earning assets of the bank is amounted to RM380 million. Calculate the Maybank's net interest margin and noninterest margins. Based on the outcome, briefly explain the bank financial health condition.

(10 marks)

(Total: 25 marks)

QUESTION 3

(a) Is there any way that the bank capital can reduce the risk of bank failure? Explain. (9 marks)

Continued ...

(b) Maybank is currently determining its capital adequacy ratios for its fourth-quarter financial reports. Calculate the total risk-weighted assets, the total risk-based capital ratio, and the common equity Tier 1 (CET) ratio of Maybank based on the following information. Explain whether Maybank is subject to BASEL III regulatory restrictions in light of its capital adequacy status?

Bank Assets		**Bank Liabilities**	
Items	RM	Items	RM
Vault cash	2,900	Fixed Deposits	9,500
Letter of credit agreement	3,200	Saving Deposit	6,300
Residential Mortgage Loans	4,700	Subordinated long-term debt	1,350
Treasury notes	(900)	Common Stock	200
Collateralized Mortgage Obligation	2,800	Stock Surplus	400
Commercial Loans	1,500	Retained Earnings	450
Credit Card Loans	2,500		
Time Deposit with Public Bank	1,500		
Total	**RM18,200**		**RM18,200**

(16 marks)

(Total: 25 marks)

QUESTION 4

(a) Public Bank Berhad has summarized the following financial data for the year 2022:

Assets	**RM**	**Interest Rate**	**Liabilities & Equity**	**RM**	**Interest Rate**
Treasury Notes	2600	7%	Repurchase agreement	1300	9%
Car loan at fixed rate	2800	9%	Time deposit account	2900	7%
Reserve at Bank Negara Malaysia	500		Share capital	1700	
Total	5,900			5,900	

(i) Assume that the interest rate and portfolio composition remain unchanged during 2022, calculate the net interest income and net interest margin of Public Bank Berhad?

(5 marks)

Continued ...

(ii) If the yield has risen to 2.5 percent overall during the year, calculate the changes occur in the net interest income and net interest margin? (5 marks)

(b) Why is it necessary for the bank's credit officers to conduct frequent credit reviews of the loan? (9 marks)

(c) When there is positive GAP, and a bank expects interest rates to increase in the coming year, what will happen to its net worth and what should it do? (6 marks)

(Total: 25 marks)

End of Paper